
Compliance Section



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
and the City Manager
City of Salisbury
Salisbury, North Carolina

We have audited the general purpose financial statements of the City of Salisbury, North Carolina, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 28, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit the financial statements of Downtown Salisbury, Inc. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Downtown Salisbury, Inc. is based solely on the report of the other auditors.

Compliance

As part of obtaining reasonable assurance about whether the City of Salisbury's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Salisbury's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, members of the City Council, and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greensboro, North Carolina
August 28, 2002



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and
Members of the City Council
and the City Manager
City of Salisbury
Salisbury, North Carolina

Compliance

We have audited the compliance of the City of Salisbury, North Carolina, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major federal programs for the year ended June 30, 2002. The City of Salisbury's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on the City of Salisbury's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Salisbury's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Salisbury's compliance with those requirements.

In our opinion, the City of Salisbury complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Salisbury's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

McGladrey & Pullen, LLP
is an independent member
firm of RSM International,
an affiliation of independent
accounting and consulting firms.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, others within the organization, members of the City Council, and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Greensboro, North Carolina
August 28, 2002

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and
Members of the City Council
and the City Manager
City of Salisbury
Salisbury, North Carolina

Compliance

We have audited the compliance of the City of Salisbury, North Carolina, with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2002. The City of Salisbury's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of the City of Salisbury's management. Our responsibility is to express an opinion on the City of Salisbury's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Salisbury's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Salisbury's compliance with those requirements.

In our opinion, the City of Salisbury complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City of Salisbury is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered the City of Salisbury's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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Greensboro, North Carolina
August 28, 2002

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2002

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors' Number</u>	<u>Federal Direct & Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
FEDERAL GRANTS:					
CASH PROGRAMS					
U.S. ENVIRONMENTAL PROTECTION AGENCY					
Pass-through N.C. Department of Environment, Health and Natural Resources N.C. Clean Water Loans Bond Program	66.458	E-SRF-T-96/97-0079	<u>\$ 7,636,000</u>	<u>\$ 1,564,000</u>	<u>\$ -</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Direct Program:					
Community Development Block Grant					
Entitlement Program	14.218	B-00-MC-37-0015	<u>\$ 93,052</u>	<u>\$ -</u>	<u>\$ -</u>
Entitlement Program	14.218	B-01-MC-37-0015	<u>417,331</u>	<u>-</u>	<u>-</u>
			<u>\$ 510,383</u>	<u>\$ -</u>	<u>\$ -</u>
Pass-through N.C. Department of Housing Finance Agency HOME Program	14.239	R-90-SG-37-0117	<u>\$ 130,472</u>	<u>\$ -</u>	<u>\$ 156,752</u>
Total U.S. Department of Housing And Urban Development			<u>\$ 640,855</u>	<u>\$ -</u>	<u>\$ 156,752</u>
U.S. DEPARTMENT OF JUSTICE					
Office of Justice Programs:					
Office of Community Oriented Policing Services					
Direct Program:					
COPS Fast	16.710	95-CF-WX-3853	<u>\$ 132,846</u>	<u>\$ -</u>	<u>\$ 81,558</u>
COPS in Schools	16.710	2000-SH-WX-0245	<u>32,409</u>	<u>-</u>	<u>-</u>
COPS More	16.710	2001-CM-WX-0272	<u>110,340</u>	<u>-</u>	<u>36,726</u>
			<u>\$ 275,595</u>	<u>\$ -</u>	<u>\$ 118,284</u>
Bureau of Justice Assistance					
Direct Program:					
Local Law Enforcement Block Grant	16.592	2000-LB-VX-4779	<u>\$ 25,435</u>	<u>\$ -</u>	<u>\$ 2,856</u>
Local Law Enforcement Block Grant	16.592	2001-LB-VX-2345	<u>23,757</u>	<u>-</u>	<u>2,640</u>
			<u>\$ 49,192</u>	<u>\$ -</u>	<u>\$ 5,496</u>
Total U.S. Department of Justice			<u>\$ 324,787</u>	<u>\$ -</u>	<u>\$ 123,780</u>

CITY OF SALISBURY, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

**Year Ended June 30, 2002
(Continued)**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantors' Number	Federal Direct & Pass-through Expenditures	State Expenditures	Local Expenditures
U.S. DEPARTMENT OF TRANSPORTATION					
Urban Mass Transportation Grants					
Capital	20.507	9.9052051	\$ -	\$ 4,652	\$ 517
Urban Mass Transportation Grants					
Administration	20.507	9.9041983	\$ 71,741	\$ 16,305	\$ 20,653
Operating	20.507	9.9042824	92,512	-	327,997
			<u>\$ 164,253</u>	<u>\$ 16,305</u>	<u>\$ 348,650</u>
Total U.S. Department of Transportation			<u>\$ 164,253</u>	<u>\$ 20,957</u>	<u>\$ 349,167</u>
TOTAL ASSISTANCE - FEDERAL PROGRAMS			<u>\$ 8,765,895</u>	<u>\$ 1,584,957</u>	<u>\$ 629,699</u>
STATE GRANTS:					
CASH PROGRAMS					
N.C. DEPARTMENT OF TRANSPORTATION					
Powell Bill	N/A		\$ -	\$ 928,647	\$ -
State Maintenance Assistance for					
Transit Systems	N/A	9.9051123	\$ -	\$ 135,345	\$ -
Total N. C. Department of Transportation			<u>\$ -</u>	<u>\$ 1,063,992</u>	<u>\$ -</u>
N.C. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES					
Division of Waste Management					
N. C. Leaking Petroleum Underground Storage Tank Removal Clean-up Fund	N/A	17640	\$ -	\$ 42,084	\$ 74,995
N.C. DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY					
Division of Governor's Crime Commission					
Go-4-It	N/A	080-1-00-P01-J-043	\$ -	\$ 35,458	\$ -
TOTAL ASSISTANCE - STATE PROGRAMS			<u>\$ -</u>	<u>\$ 1,141,534</u>	<u>\$ 74,995</u>
TOTAL ASSISTANCE			<u>\$ 8,765,895</u>	<u>\$ 2,726,491</u>	<u>\$ 704,694</u>

CITY OF SALISBURY, NORTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2002

1. General

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Salisbury, North Carolina, and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

2. Loans Outstanding

The City of Salisbury, North Carolina has the following loan balance outstanding at June 30, 2002. This loan balance outstanding also includes the federal and state expenditures reported on the attached schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
N. C. Clean Water Loan Bond Program	66.458	E-SRF-T-96/97-0079	\$ 8,280,000

CITY OF SALISBURY, NORTH CAROLINA
SCHEDULE OF COMPLIANCE FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2002

Section I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted

☐ Yes ☒ No

Federal Award

Internal control over major program:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major federal program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of major program:

CFDA Number
14.218

Name of Federal Program
Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

State Awards

Internal control over major State programs:

- Material weakness identified? ☐ Yes ☒ No
- Reportable condition identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major State program: Unqualified

Any audit findings disclosed that are required to be reported in accordance State Single Audit Implementation Program

☐ Yes ☒ No

Identification of major programs: Department of Transportation, Powell Bill

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

CITY OF SALISBURY, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2002

There were no prior year audit findings.